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## DIRECTORATE OF INTELLIGENCE

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After Al Faw: Implications and Options for Iraq and Iran

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Summary

After Iran's military success at Al Faw, the situation is more ominous for Baghdad than at any time in the struggle. Iran's advance on the peninsula has been halted and the shock of the attack has not led to the kind of subsequent defeats or withdrawals of Iraqi forces that would signal a critical decline in Iraq's war fortunes. The loss of Al Faw does not, in and of itself, represent a watershed in the five-and-a-half-year-old war. Nonetheless, a turning point in the war would probably occur in the wake of additional, small-scale Iranian battlefield victories, a successful major Iranian offensive elsewhere, or continued heavy Iraqi casualties. In any event, the initiative now belongs to Iran, but Tehran must act soon, otherwise chances for success will diminish as Baghdad recovers and builds new defenses.

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Following a surprise attack in a poorly defended area of southern Iraq on 9 February 1986, Iran captured the port city of Al Faw and over 200 square kilometers of the peninsula. Iraq contained the Iranian advance by rushing in its strategic reserve, but a long delay in launching a counterattack allowed Iran to consolidate its position. In the last three weeks, Iraq has not made any significant gains despite fierce fighting. At the same time, Iran has not yet capitalized on its

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success at Al Faw, and the stalemate continues as both sides build up defensive positions, rotate forces to the area, and consider their next moves. [ ]

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### Iraqi Options and Constraints

Baghdad's options are limited by political and military risks. Despite the importance given to the recapture of Al Faw by the leadership in Baghdad, Iraq will proceed cautiously because it judges that a long, bloody campaign would be needed to dislodge the Iranians. Iraq has already suffered more casualties in its unsuccessful efforts to retake Al Faw than in any other battle since 1983. Iraqi morale, which we believe is at its lowest level since 1982, might crumble because of the high casualties resulting from an attack to regain the lost territory. Additionally, because Iraq's elite Republican Guard units have been mauled and most of its other reserves are already committed, Baghdad could not commit significantly greater forces without undermining critical defenses elsewhere. [ ]

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With the possibility of a major Iranian offensive still present in the near term, Baghdad will try to prevent a breakout from Al Faw while maintaining pressure on the Iranian position. Such a course will reduce Iraqi casualties at Al Faw and will not draw troops from other areas. The Iraqis probably will use artillery, airstrikes, and chemical weapons to try to wear down Iranian defenders in the Al Faw pocket. Baghdad may consider limited raids along the border to recapture lost territory (such as the northern Majnoon Island) to offset Iran's success at Al Faw or to spoil Iranian preparation for other attacks. [ ]

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At the same time, the Iraqi leadership will be reluctant to allow a continued Iranian occupation of Al Faw because it threatens Umm Qasr and the southern approach to Al Basrah and hinders Iraq's access to the Persian Gulf through the Khawr Abdallah Channel. In April, good weather will improve the Iraqi Air Force's chances for effective attacks on Al Faw. Moreover, as the ground there dries out, Iraq will be able to use its armored forces more effectively. Even so, Baghdad is cautious and may judge that--even with these advantages--its forces could suffer heavy losses and might not be able to retake Al Faw. Saddam Husayn would then likely concede the area to Tehran while keeping military pressure on Iranian forces there. [ ]

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### Iranian Options and Constraints

Tehran is in a position to hold, possibly indefinitely, the Al Faw salient and reap the political benefits from Baghdad's embarrassment and the heightened fears of the Gulf Arabs. Iran would be able to remind the region of its victory by occasional small-scale raids from Al Faw, veiled threats to Kuwait's Bubiyan Island, or possibly the establishment of a puppet "Iraqi Islamic Republic" in Al Faw. Even if Iran is pushed out of Al Faw eventually, it could make this so costly in manpower and equipment for Baghdad that the Iraqi Army would be seriously weakened. [ ]

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Iran may capitalize on its success while the Iraqis are still off balance. A breakout from Al Faw is unlikely, but Iran may launch a series of division-size or smaller attacks farther north along the border. With such a plan, however, Iran would be taking risks because the commitment of men and equipment to Al Faw could prevent Iranian forces from succeeding in other areas. A major defeat along another front would tarnish Iran's victory at Al Faw and improve Iraqi civilian and military morale. [ ]

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Nonetheless, in our judgment Iran still hopes to launch a large-scale offensive aimed at capturing or isolating Al Basrah. Tehran may believe that because of its economic woes it must try to inflict a military defeat on Iraq that will topple the Baghdad regime in the next 12 months. Although Iraq still has strong defenses around the Hawizah marsh and east of Al Basrah, the chances for an Iranian success there have improved because Iraqi reserves have been seriously weakened and Baghdad has pulled some units away from the marsh. [ ]

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### Outlook

In our view, the battle of Al Faw does not yet represent a new phase in the war, but it may be the first of a series of military setbacks that eventually lead to the collapse of the Iraqi army and the fall of the regime. The initiative, however, lies with Tehran which must keep the military pressure on Iraq and prevent Baghdad from recovering. [ ]

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Iran faces a time factor in taking action. For maximum impact, a major offensive by Tehran would need to be undertaken soon, before Baghdad restores its reserves and before Iran's capability to carry out a large-scale attack weakens because of bad weather and supply problems. On the other hand, an Iranian decision to forego a major offensive in the hope that the victory at Al Faw and a continuing war of attrition will undermine the Baghdad regime probably has only a few months at best to show results before war weariness begins to rise again in Iran. [ ]

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In the past, Baghdad has rationalized defeat and realigned its defenses to continue the war. But continued bloodletting, coupled with the serious economic crunch that Baghdad is already beginning to feel, could prevent the Iraqis from rallying as they have before. Trying to force its way through to Al Faw regardless of casualties would have a devastating impact on Iraqi morale, the regime's credibility with the military (and vice versa), and its defense posture. This might be sufficient to cause Saddam's ouster. Therefore, we believe Baghdad will conclude that operations to recapture Al Faw or mount a large attack elsewhere on the border will be counter-productive. Iraq will instead concentrate on limiting the damage and threat from Iran by maintaining its defensive strategy in the ground war. [ ]

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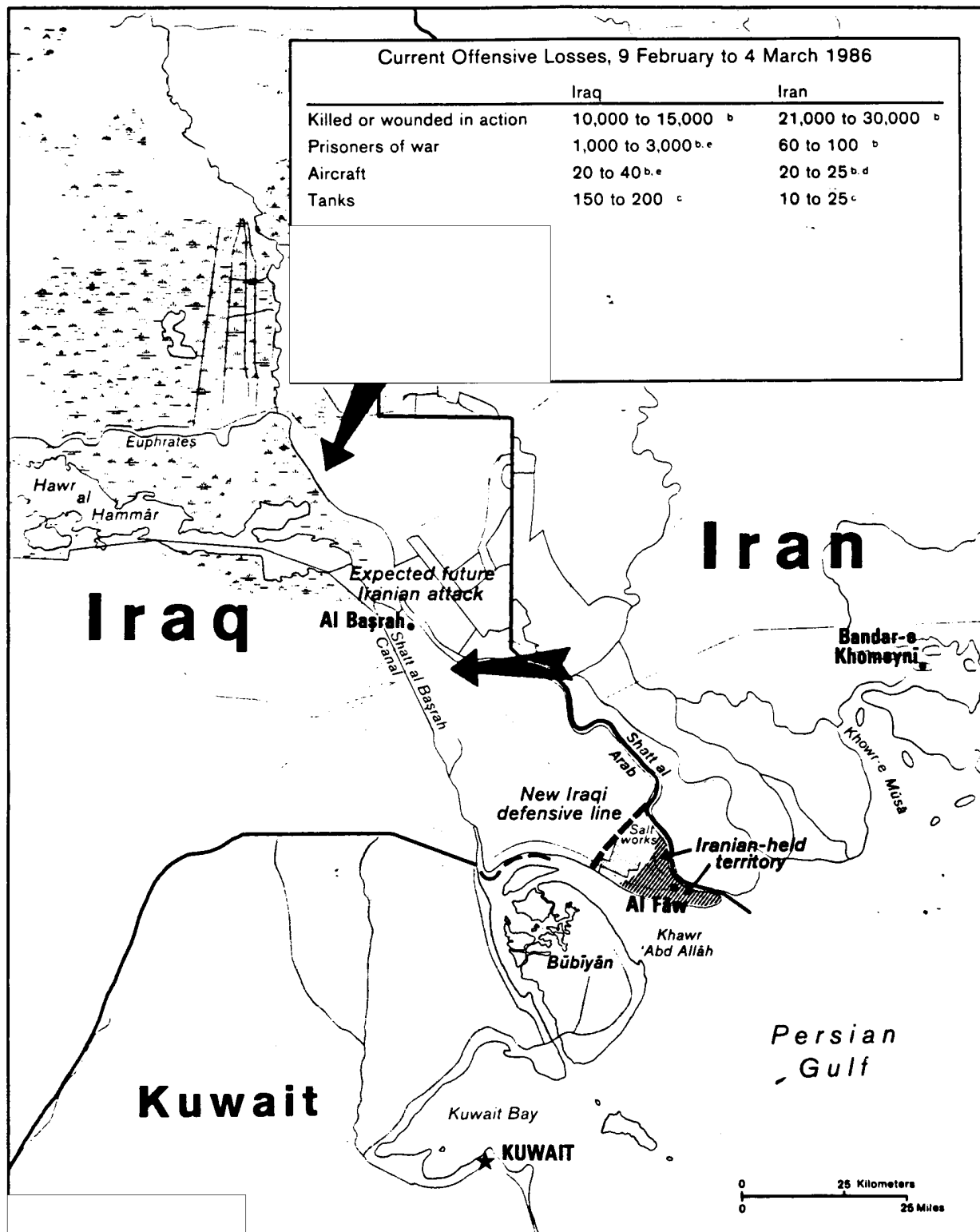
Even though Baghdad is likely to continue its cautious tactics on the ground, we believe that Iraq may increase its air attacks against military and economic targets in Iran's interior and in the Persian Gulf, and it may expand attacks on civilian targets in response to the Iranian occupation of Al Faw. Fear of Iranian retaliation may have prevented an

Iraqi renewal of bombings so far. But in the longer term Baghdad may see airstrikes inside Iran as a way to raise the cost of Tehran's continued hold on Iraqi territory. Air attacks on cities, power grids, or pumping stations would likely lower Iranian morale, while targeting oil export facilities in the Gulf would reduce Tehran's ability to pay for the fighting. [REDACTED]

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Attacks on civilian and economic targets inside Iran, however, raise the risks of Iranian retaliation against the Gulf Arab states' oil exports and economic targets. Iran has already increased its attacks on shipping in the Gulf and has threatened Kuwait because of its continued support for Iraq. Recent declines in world oil prices have reduced Iranian oil revenues, and the danger of Tehran lashing out in the Gulf will grow if Iraqi attacks cause further reductions and perhaps lead to civil unrest in Iran. We believe that Iran would attack Gulf oil facilities only as a last resort because of fear that such raids might lead to Western or US intervention in the Gulf. Nonetheless, the hardships resulting from the recent drop in oil prices may have caused Tehran to believe that its back is closer to the wall. [REDACTED]

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